



Always There.®

# CenterPoint Energy Services



April 2018



CenterPoint Energy, Inc.

# COMPANY OVERVIEW

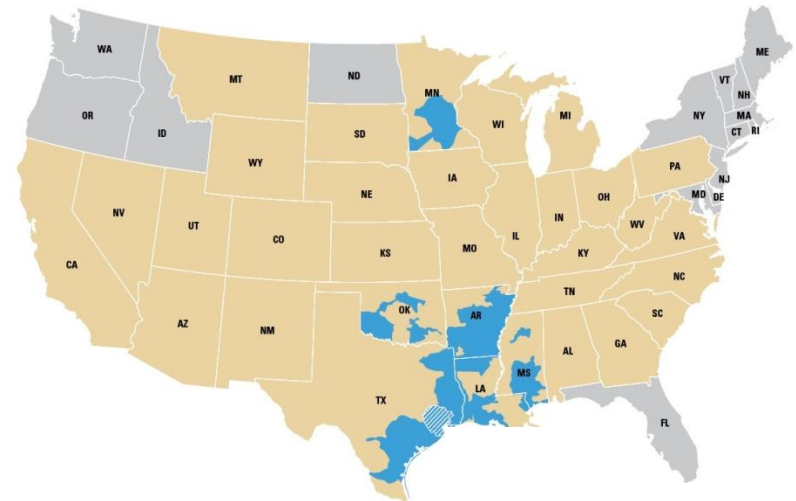
# CenterPoint Energy is one of the largest combined electric and natural gas delivery companies in the U.S.

## Asset portfolio

Electric transmission and distribution	Natural gas distribution	Competitive natural gas sales and services	Pipeline and field services partnership
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- 5.5 million gas and electric customers
- Regulated operations in 6 states, natural gas sales and service in 32 states
- More than 7,800 employees
- \$21.8 Billion assets, \$7.5 Billion revenue (2016)
- Investment grade ratings – Moody’s, Fitch, S&P
- NYSE: CNP – Dow Jones Utilities Index company
- Headquartered in Houston, TX
- Website: [www.CenterPointEnergy.com](http://www.CenterPointEnergy.com)

## CNP Footprint



- CenterPoint Energy Services
- Natural Gas Distribution
- Electric Transmission & Distribution
- No Presence

# A diversified energy partner

## Electric Distribution

- Energy-efficiency programs
- Intelligent Grid
- Smart Meter
- Power Alert Service
- Emergency preparedness

## Gas Distribution

- Energy-efficiency programs
- Appliance repair
- Transportation services
- Meter reading technology
- CNG fueling stations

## Energy Services

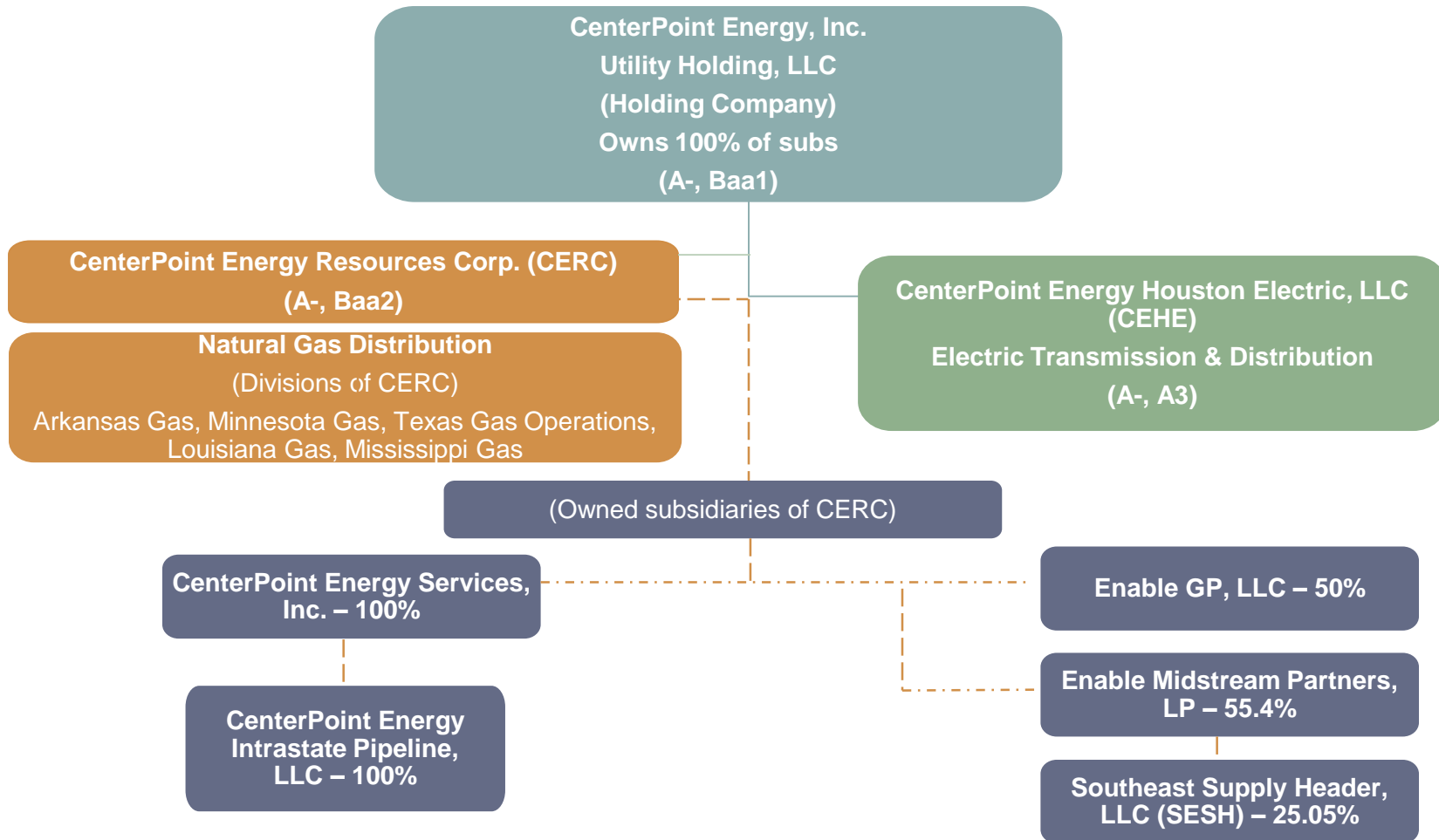
- Competitive natural gas supply
- >1 Tcf in annual gas sales
- Serving 33,000 customers in 32 states
- Electric consulting services
- Intrastate pipeline operations

## Enable Midstream Partners – 55.4% limited partner interest



- Natural gas gathering, processing and fractionation services
- Crude oil gathering for producer customers
- Interstate and intrastate natural gas transportation and storage

# CES is a 100% Owned Subsidiary of CenterPoint Energy Resources Corp. (CERC)





CenterPoint Energy Services, Inc.

# ENERGY SERVICES OVERVIEW

# CES is a competitive company operating in the deregulated energy market



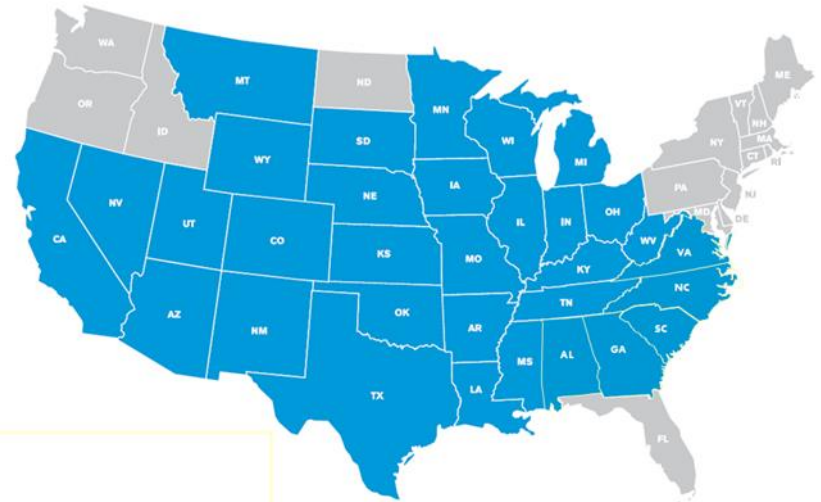
CenterPoint Energy Services provides customers with competitive gas supply with a **customer retention rate over 90 percent.**

We work with a wide range of customers, from **utilities** and **power generators** to **manufacturers** and **retail** to small commercial and residential **Choice** programs.

Our service offering extends **across 32 states** and serves customers **within nearly 100 unique utility territories.**



## CES Footprint



# Utility Territories Served

## Alabama

North Alabama Gas

## Arizona

Unisource Energy Services  
Southwest Gas Corporation

## Arkansas

Arkansas Oklahoma Gas  
Black Hills Energy  
CenterPoint Energy (Arkla)

## California

Pacific Gas and Electric  
Southern California Gas  
Company  
San Diego Gas & Electric

## Colorado

Atmos-Colorado  
Black Hills Energy  
Colorado Natural Gas (Summit  
Utilities, Inc.)  
Colorado Springs Utilities  
Rocky Mountain Natural Gas  
LLC  
Xcel Energy (PSCO)

## Georgia

Liberty Energy

## Illinois

Ameren (CIPS, CILCO, IP)  
Jo Carroll  
Nicor  
North Shore  
Peoples Gas Light & Coke  
Rock Energy

## Indiana

Citizen's Gas  
NIPSCO  
Ohio Valley Gas  
Sycamore Gas Company  
(Lawrenceburg Gas  
Company)  
Vectren North  
Vectren South

## Iowa

Alliant  
Black Hills Energy  
Liberty Utility  
MidAmerican Energy

## Kansas

Atmos - Kansas  
Black Hills  
Kansas Gas Service  
Midwest Energy

## Kentucky

Atmos Energy Kentucky  
Columbia Gas of Kentucky  
Duke Energy Kentucky  
Louisville Gas & Electric

## Louisiana

CenterPoint Energy (Arkla)  
CenterPoint Energy (Entex)

## Michigan

Citizen's Gas Fuel Company  
Consumers Energy  
DTE Energy (MichCon)  
Michigan Gas Utilities  
SEMCO Energy Gas  
Company

## Minnesota

CenterPoint Energy (MN  
Gas)  
Great Plains  
Minnesota Energy Resources  
Xcel Energy

## Mississippi

Atmos Energy  
CenterPoint Energy (Entex)

## Missouri

Liberty Utilities  
Atmos Energy  
Ameren UE  
Laclede Gas Company  
Southern MO Natural Gas  
Missouri Gas Energy (Laclede  
Group)



# Utility Territories Served (cont.)

## Montana

Northwestern Energy

## Nebraska

Black Hills Energy  
Metropolitan Utilities District  
MidAmerican Energy  
Northwestern Energy

## Nevada

Southwest Gas

## New Mexico

El Paso Natural Gas  
New Mexico Gas Company

## North Carolina

Piedmont Natural Gas Company

## Ohio

Columbia Gas of Ohio (A  
Dominion East Ohio  
Dominion West Ohio  
Duke Energy Ohio  
NiSource Company)  
Vectren Energy

## Oklahoma

CenterPoint Energy (Arkla)  
Oklahoma Natural Gas (ONG)

## South Carolina

Piedmont Natural Gas  
Company

## South Dakota

Mid American Energy  
Northwestern Energy

## Tennessee

Atmos Energy  
Chattanooga Gas Company  
East Tennessee Natural Gas  
Memphis Light, Gas, and  
Water  
Nashville Gas Company

## Texas

Atmos Energy  
CenterPoint Energy (Entex)  
El Paso Natural Gas  
Texas Gas Services

## Utah

Questar Gas

## Virginia

Atmos Energy  
East Tennessee Natural Gas  
Roanoke Gas Company

## West Virginia

Mountaineer Gas

## Wisconsin

Alliant (Wisconsin Power &  
Light)  
Antigo City Gas Co.  
Madison Gas & Electric  
Midwest Natural Gas  
St. Croix Gas  
Superior Water, Light & Power  
WE-Energies (WEC & WGC)  
Wisconsin Public Service  
Xcel Energy

## Wyoming

Black Hills Energy

# Our Energy Services

## Natural Gas Supply



### CenterPoint Energy Services (CES)

- Serves more than 33,000 customers across 32 states
- Transports 1,200,000,000 MMBtu/year across more than 90 pipelines to more than 100 gas utility systems
- “Customer Focused” with a 90% customer satisfaction rating\*

\*2017 Mastio Customer Satisfaction Survey

## Pipeline Construction & Infrastructure



### CenterPoint Intrastate Pipelines (CEIP)

- Operates 68 pipeline laterals, delivering 55,000,000 MMBtu/year to 178 delivery points
- Provides turnkey engineering, construction, maintenance & financing for pipeline projects

## Mobile Energy Solutions



### Mobile Energy Services (MES)

- Avoid natural gas supply interruptions with CNG or LNG
  - Planned pipeline outages
  - Emergency outages
  - Curtailment/Peak demand

# Natural Gas Supply

*Because the energy needs of our customers vary based on industry segment, geographical region, applicable utility tariffs and market conditions, CES works directly with each customer to develop a customized natural gas procurement plan.*

## Competitive Price Options

- **Variable Pricing**
  - Monthly market
  - Daily or monthly index
  - Index with a cap
- **Fixed Pricing**
  - Commodity
  - Basis
  - City Gate
  - Fixed price with downside participation
- **Structured Products**
  - Weather contingencies
  - Put/call options
  - Caps and collars

## Supply Services

- **Daily & monthly balancing services**
  - Load forecasting
  - Nominations
  - Swing
- **Asset management**
  - Storage management
  - Firm and interruptible transportation administration
  - Capacity release management
- **Agency services**

## Customer Segments Served

- Natural gas producers
- Bio-fuel/agricultural
- Health care
- Real estate
- Utilities
- Power generators
- Education/institutional
- Government/municipalities
- Co-op
- Manufacturing
- Retail
- Residential/Choice

# Producer Services

We purchase and transport natural gas from wellhead to end-use markets

## Our Customers

- Single-well producers
- Small to mid-size independent producers
- Bio-methane/landfill operators
- Major exploration and production companies
- Transporters
- Merchant buyers and sellers

## Our Services

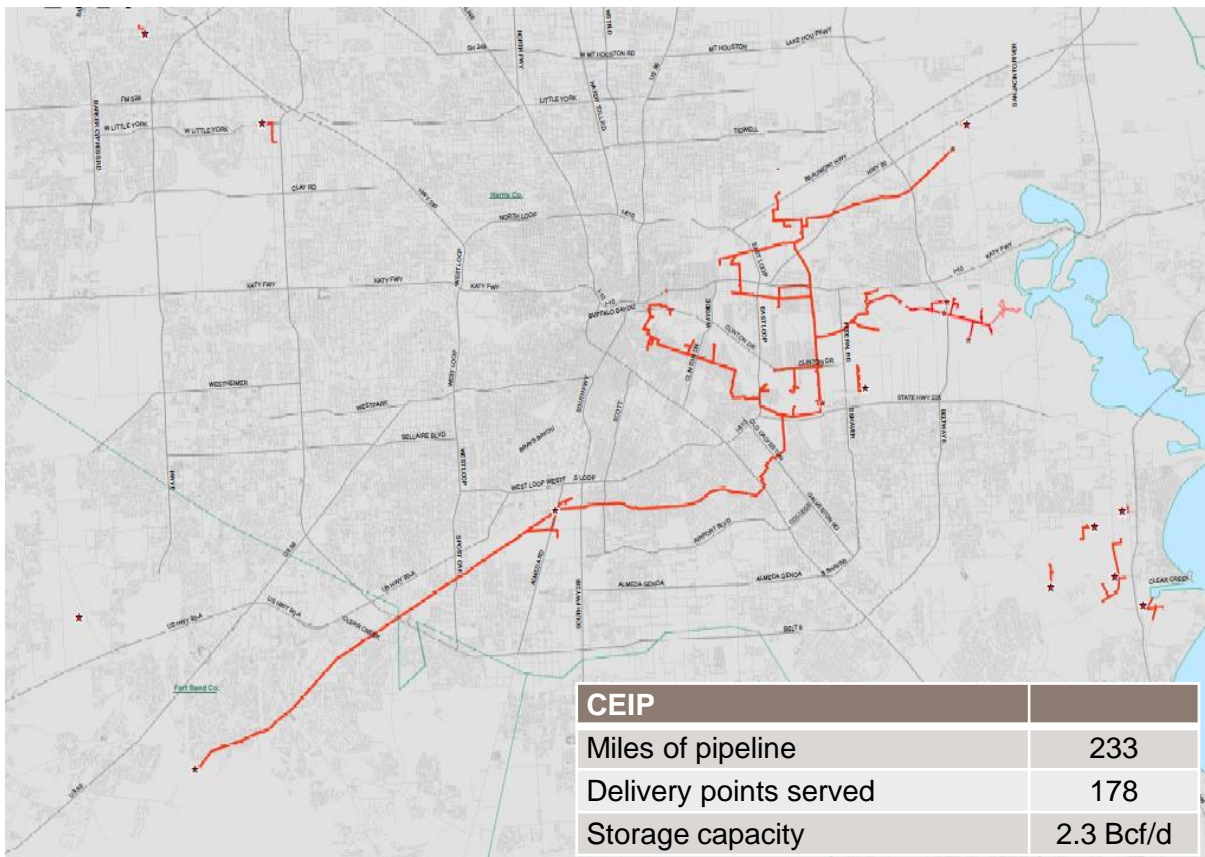
- Supply management strategies
- Gathering and pooling services
- Downstream transportation services
- Firm interstate and intrastate transportation options
- Forward-price risk management
- Load forecasting and nominations
- Seasonal natural gas storage
- Daily and monthly pricing options
- Load following, scheduling, balancing
- Short- and long-term contracts
- Hedging

## Our Statistics

- Operating for over 20 years
- Serving over 150 producers
- Territories include TX, AR, OK, LA, KS, MI, KY and CO
- Ongoing, significant growth in volume
  - 2009 volumes = 43 Bcf
  - 2010 volumes = 50 Bcf
  - 2011 volumes = 57 Bcf
  - 2012 volumes = 50 Bcf
  - 2013 volumes = 62 Bcf
  - 2014 volumes = 63 Bcf
  - 2015 volumes = 69 Bcf

# Pipeline Construction & Infrastructure (CEIP)

## TX CEIP Intrastate Pipelines



CEIP builds pipeline infrastructure and offers design and consulting services

Customers are typically large industrial end users having multiple competitive alternatives for gas supply and include:

- Refineries
- Specialty chemical plants
- Industrial product manufacturers
- Steel producers

Deliveries are a total average of 190,000 Mcf per day

# Mobile Energy Solutions

## Gas Supply



## Customers



A turnkey service provider of temporary natural gas services

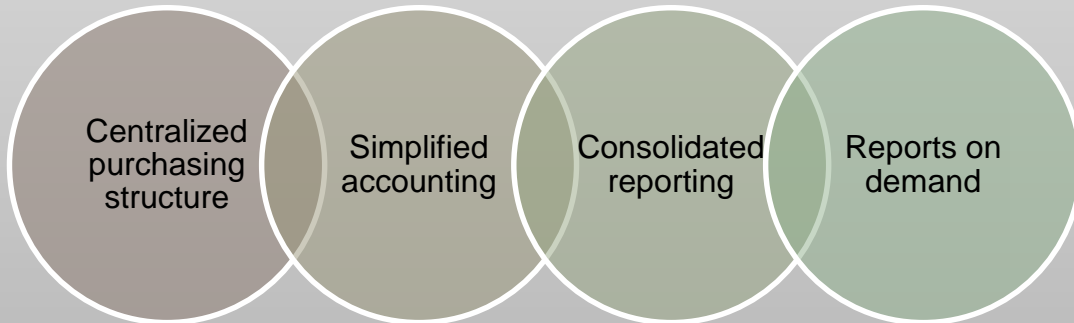
Operates trailer-mounted gas supply for both emergency and planned natural gas outages with the ability to go anywhere in the United States

MES provides natural gas using compressed natural gas (CNG) or liquefied natural gas (LNG)

Infrastructure repair or testing, winter peak supply, equipment and facilities commissioning, and more

# Premier Partners

Premier Partners are typically commercial and industrial customers with operations that span several states and benefit from consolidated purchasing, account reporting, and accounting/payment structures.



## Sample Premier Partners



- 3M Company
- Aramark Services, Inc.
- American Airlines
- Anheuser-Busch
- Cargill, Inc.
- ConAgra, Inc.
- Delta Airlines, Inc.
- Federal Express Corporation
- General Electric Company
- Georgia Pacific Corporation
- Home Depot USA, Inc.
- Honeywell International, Inc.
- International Paper Company
- Nestle USA, Inc.
- PepsiCo, Inc.
- Target Corporation
- Tyson Foods, Inc.
- Union Pacific Railroad Company
- US Steel Corporation
- Walgreens
- Wal-Mart Stores, Inc.







Natural Gas

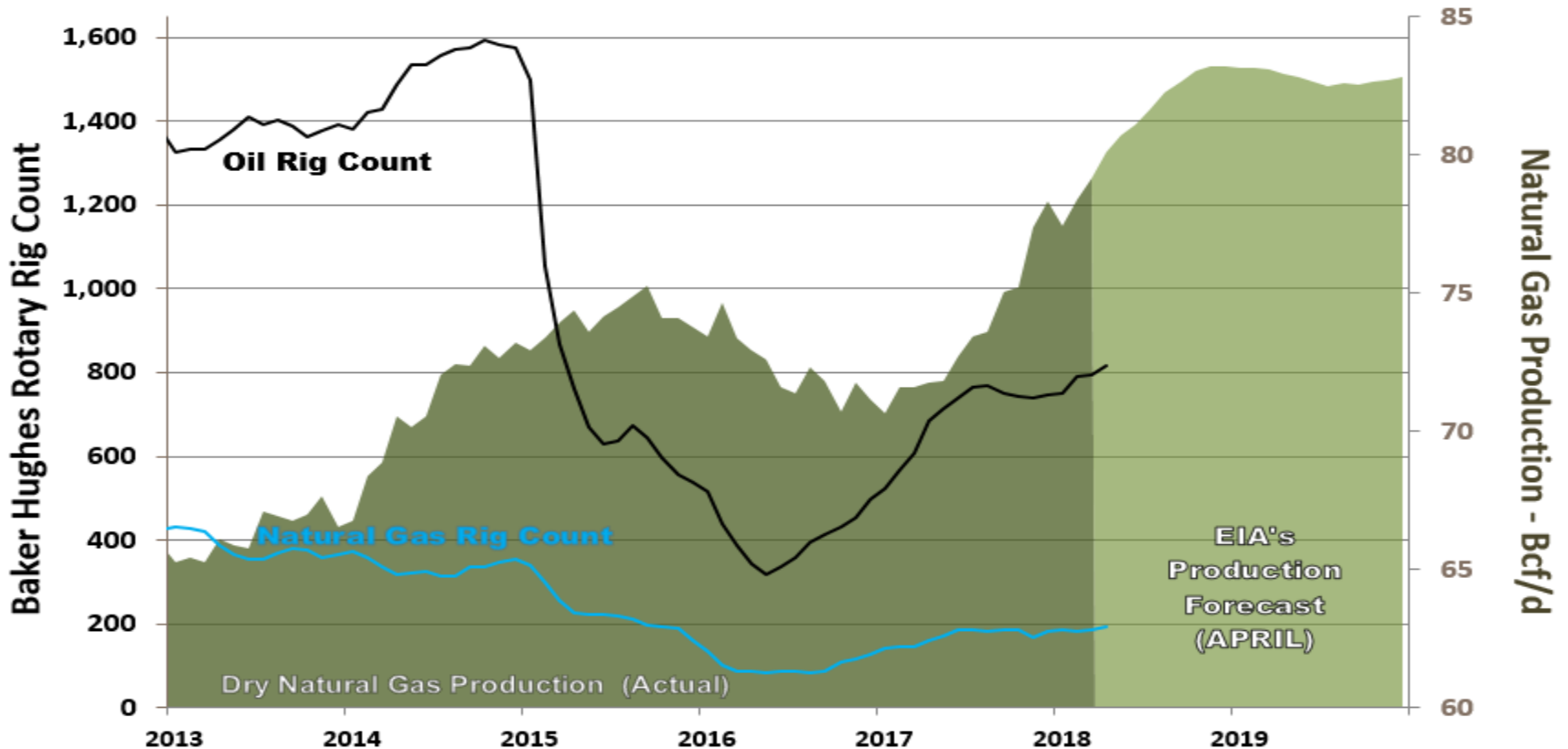
# FUNDAMENTALS



# Drivers of Natural Gas Pricing

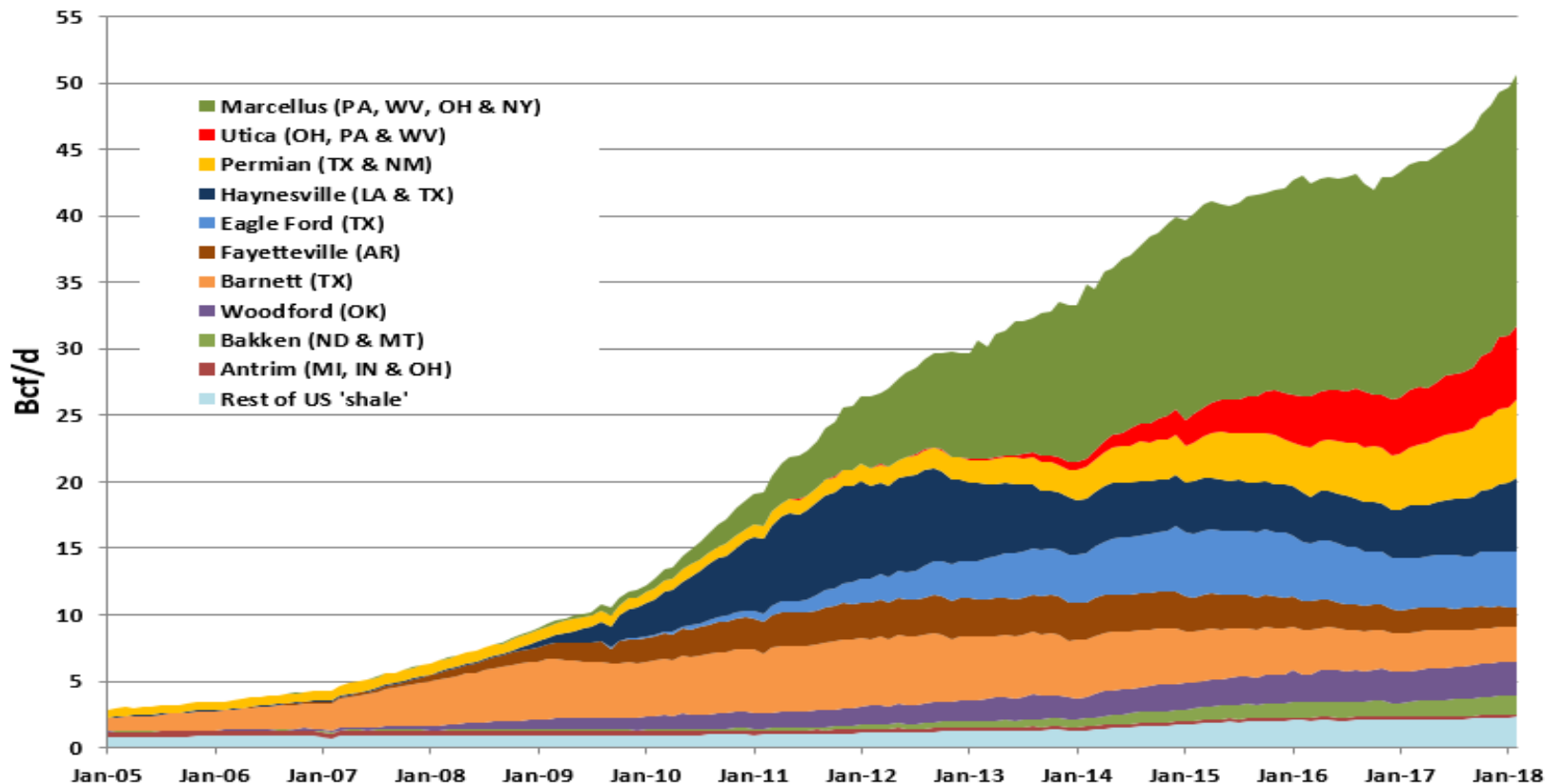
Natural Gas Price Component	Description	Drivers
	<p>Commodity</p> <p>The physical supply of natural gas; the largest component of delivered supply.</p>	<ul style="list-style-type: none"> <li>• Supply &amp; demand</li> <li>• Economic activity</li> <li>• Market volatility</li> <li>• Weather</li> <li>• Geopolitical events</li> </ul>
	<p>Transportation</p> <p>Interstate pipeline companies own, operate and maintain the pipelines that transport gas across state lines. This is the cost associated with moving gas from production fields to supply hubs to a utility distribution system.</p>	<ul style="list-style-type: none"> <li>• Geographic location</li> <li>• Pipeline tariffs</li> <li>• Available capacity</li> <li>• Federal Regulation</li> </ul>
	<p>Utility</p> <p>Utilities own, operate and maintain the infrastructure that make up the utility distribution system . This is the cost associated with moving gas from the utility's supply purchase point to customer meter.</p>	<ul style="list-style-type: none"> <li>• Rate base</li> <li>• Utility rates</li> <li>• Rate class</li> <li>• Weather</li> <li>• Regulatory environment</li> </ul>
	<p>Marketer</p> <p>Marketers arrange for the procurement of natural gas on behalf of customers, handle the transportation and storage of gas, and often assume financing and price risk.</p>	<ul style="list-style-type: none"> <li>• Trading activity</li> <li>• Billing systems</li> <li>• Credit</li> <li>• Transaction costs</li> <li>• Pipeline capacity</li> </ul>

# Production and Rig Counts



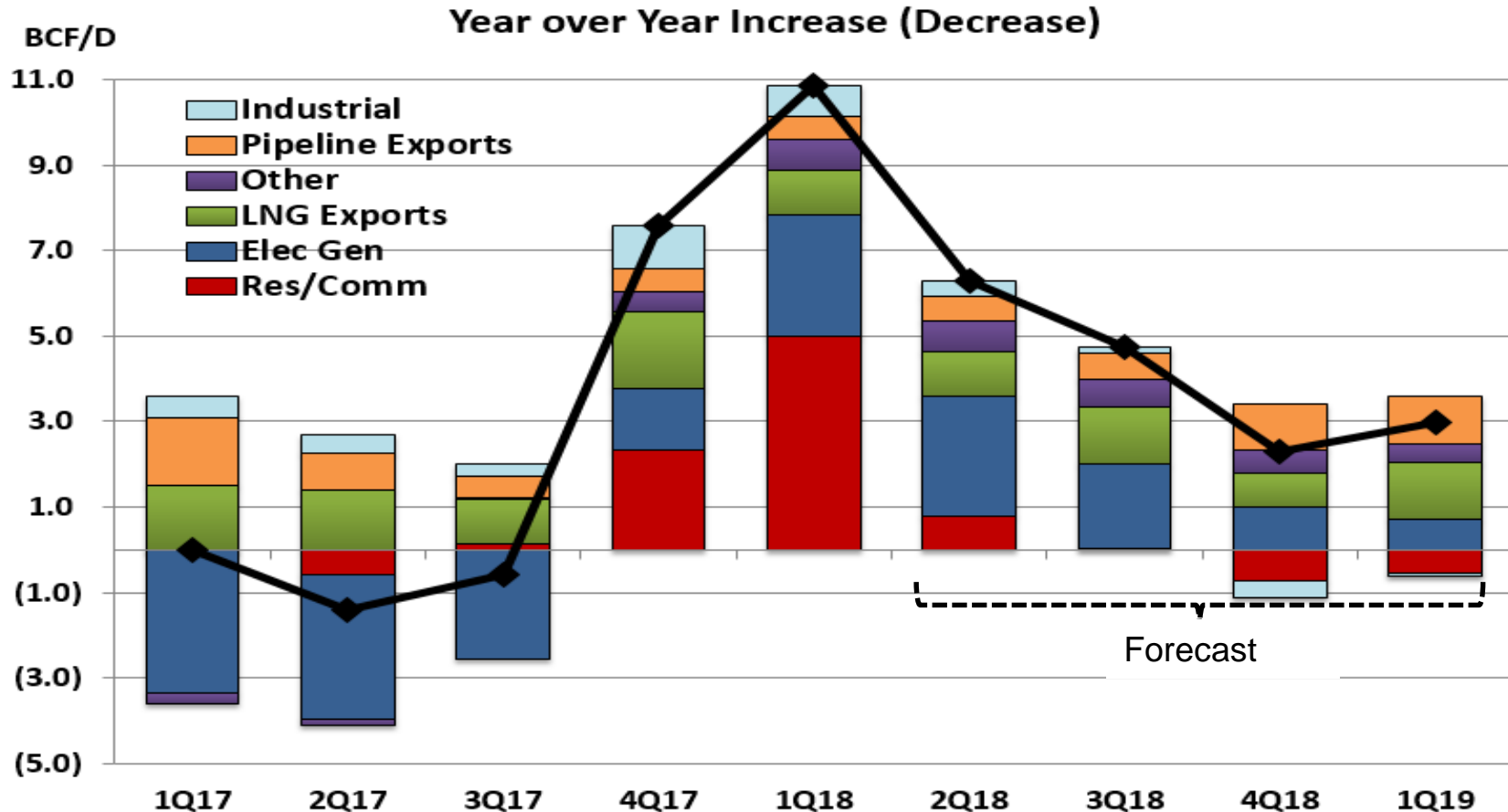
- Dry gas production has averaged 78 Bcf/d for the first quarter of 2018
- Production is expected to average over 83 Bcf/d by the end of 2018
- After reaching a recent low of 404 rigs in May 2016, total rig count has rebounded to over 1,000 rigs primarily driven by growth in oil rigs

# Monthly Shale Gas Production



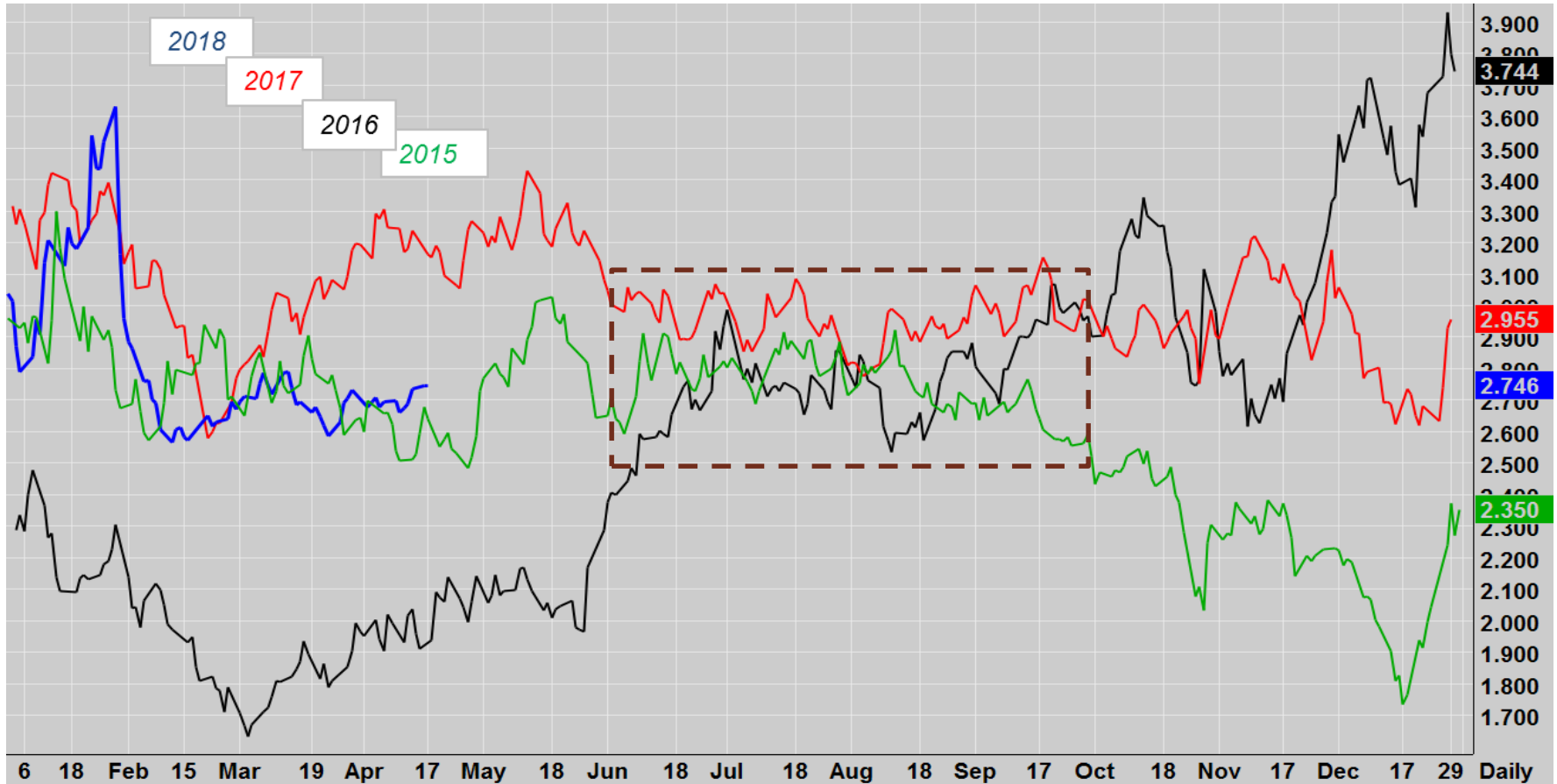
- Production growth is projected to be driven by primarily Marcellus/Utica, Permian, and Haynesville LA shale gas

# US Gas Demand by Quarter 1Q17-1Q19



- Demand is projected to remain above prior year driven by electric generation for Q2 and Q3 2018
- February 2017 was the warmest on record, thus resulting in the increases year over year in residential/commercial demand and electric generation
- Industrial demand, LNG exports, and exports to Mexico expected to steadily increase each quarter
  - Helping to offset rising production

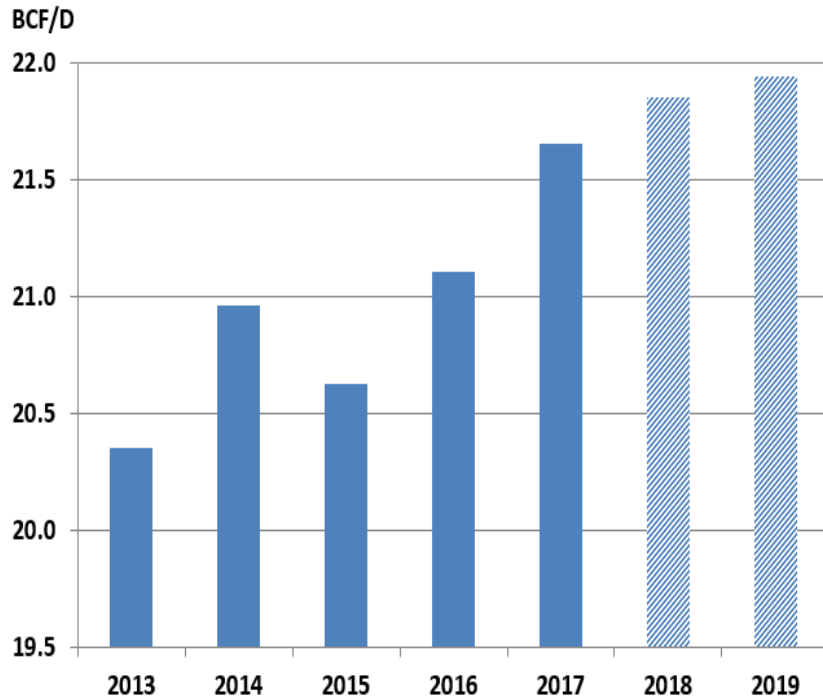
# Historical Summer Pricing



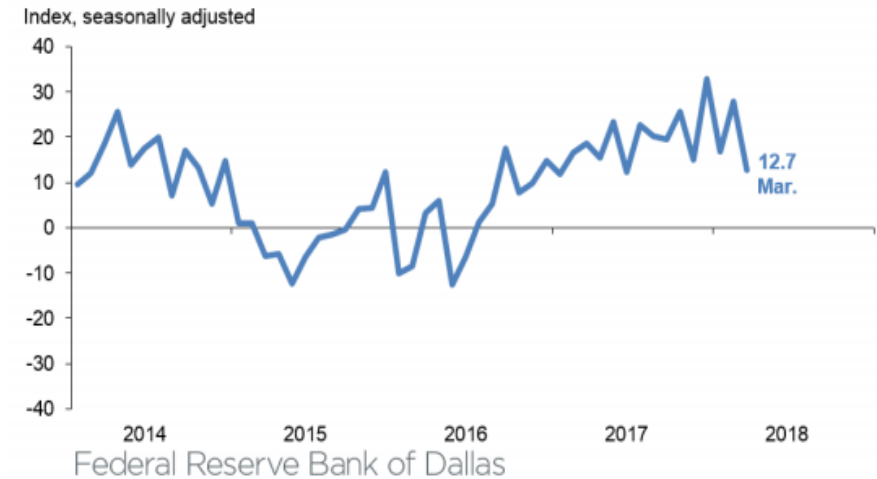
- NYMEX prices have traded in a \$2.50-\$3.10 range the recent years' June through September trading periods
- Increased power demand and the current storage deficit puts risk towards the top of the range offset by rising production
- Beyond summer price become less predictable and more volatile due to winter demand or lack thereof

# Demand Forecasts-Industrial

Industrial Demand-Average Consumption per Year

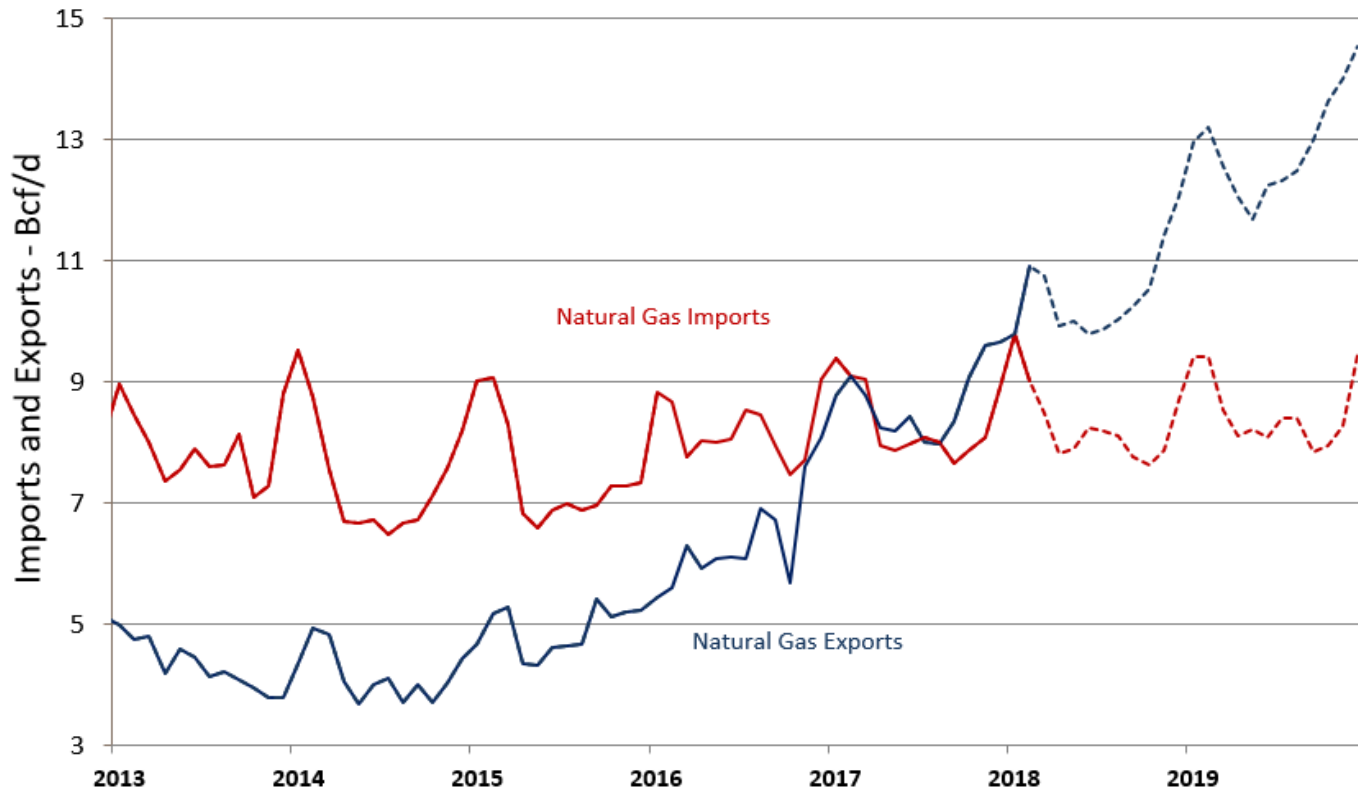


Texas Manufacturing Outlook Survey Production Index



- Industrial demand forecasts have been raised for 2018 and 2019 due to expectations of growth over the next several years as a number of new fertilizer, methanol, and petrochemical projects come online in Southeast Texas and South Louisiana
- Texas factory activity continued to expand in March, albeit at a markedly slower pace than February

# Exports and Imports Forecast

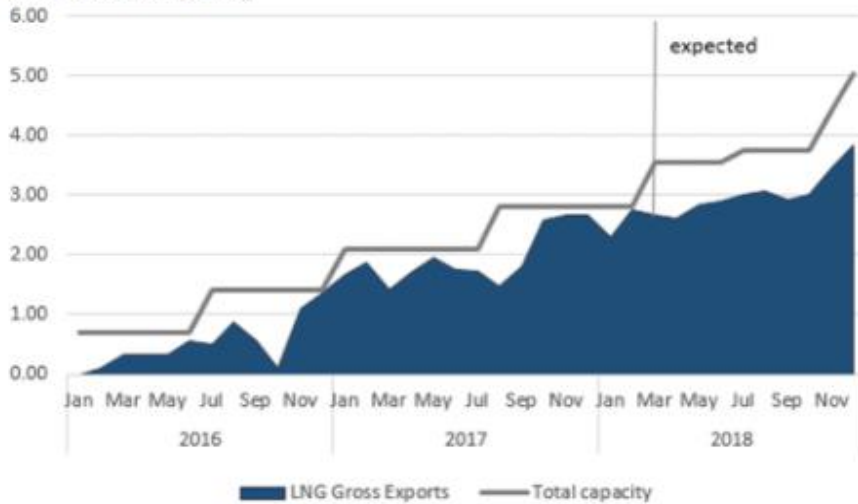


- Exports have seen strong growth over the last two years led by LNG exports and pipelines exports to Mexico – exports to Mexico are poised to grow further as pipelines that have been seeing delays on the Mexican side of the border are finally completed
- LNG exports have gone from 0 Bcf/d in 2015 to almost 2.75 Bcf/d by year-end 2017
- Exports to Mexico are expected to grow from 3 Bcf/d in 2015 to as high as 5 Bcf/d end of 2018

# U.S. LNG Export Update

U.S. liquefied natural gas exports and capacity (2016-2018)

billion cubic feet per day



Sources: U.S. Energy Information Administration, *Short-Term Energy Outlook*; and U.S. Department of Energy, LNG Monthly Report



Lower 48 export facilities



Sources: U.S. Energy Information Administration, Federal Energy Regulatory Commission

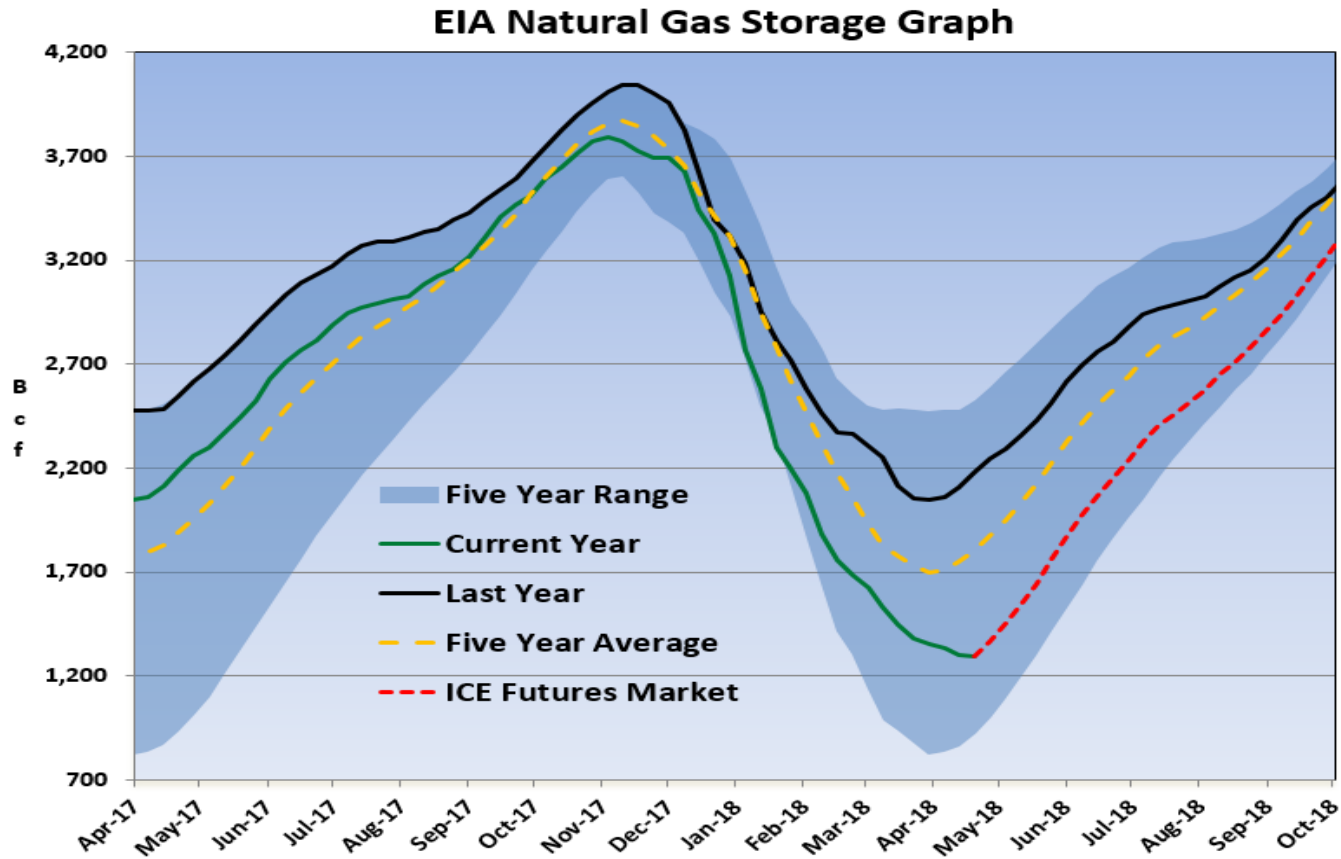


- Cheniere's Sabine Pass LNG export facility came online in early 2016 and feedgas demand is currently averaging near 3.00 Bcf/d with four trains currently fully operational
- Freeport LNG have announced a delay of their first train to Sept 2019, reducing 2019 LNG export expectations by almost 1 Bcf/d.
- The EIA projects liquefaction capacity to reach over 9 Bcf/d by the end of 2019



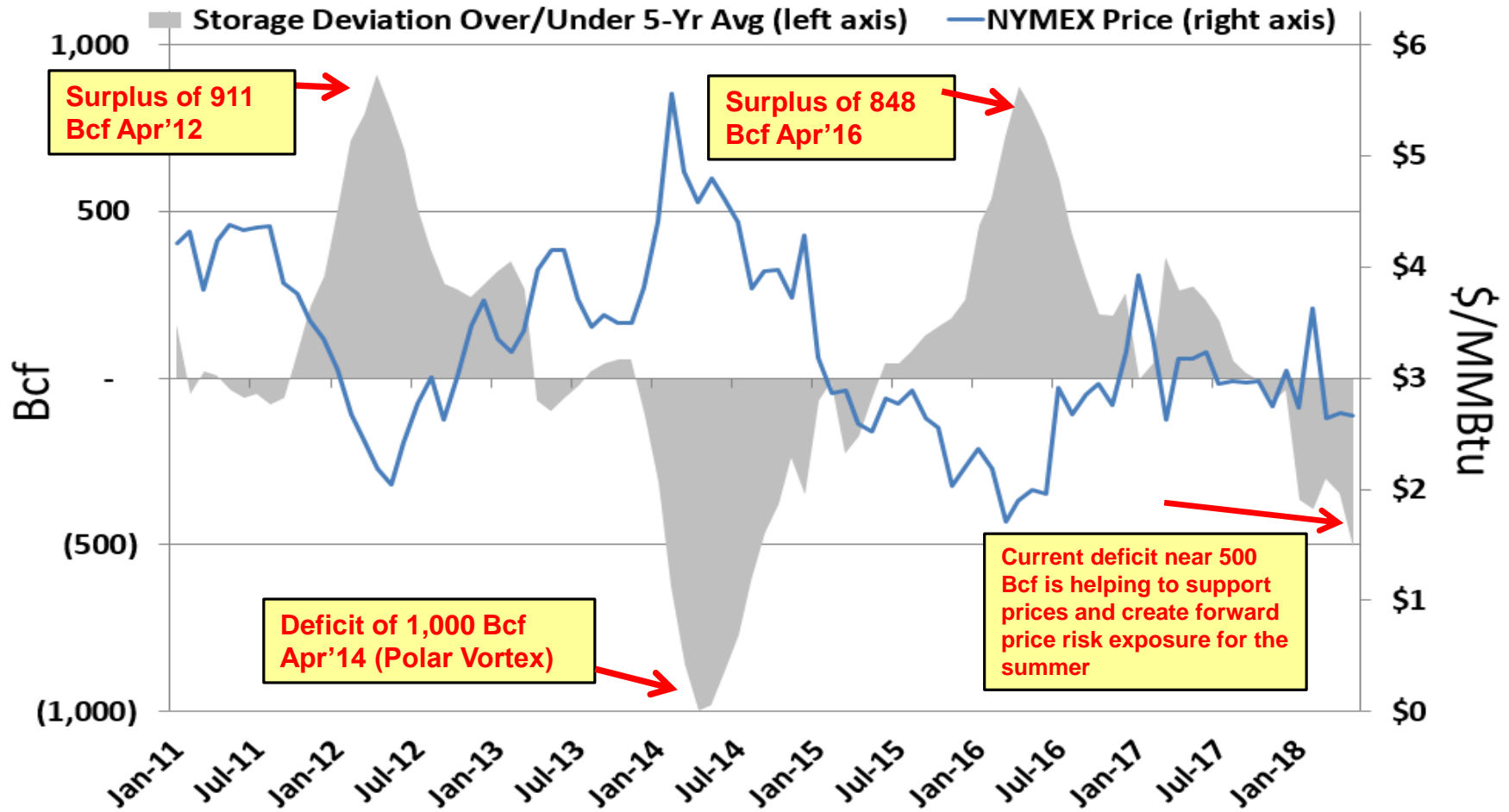


# Natural Gas Storage Levels



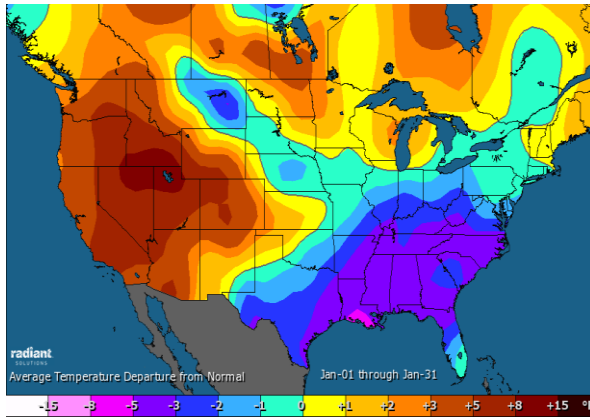
- ICE futures contracts for the end of injection season (end-October'18) are trading near 3.575 Tcf which would be roughly 200 Bcf below prior year and the five-year average
- Any increased power load this summer will need a production response to keep inventory levels adequate

# Storage Deviation to 5 Year Average Paints a Clear Price Picture

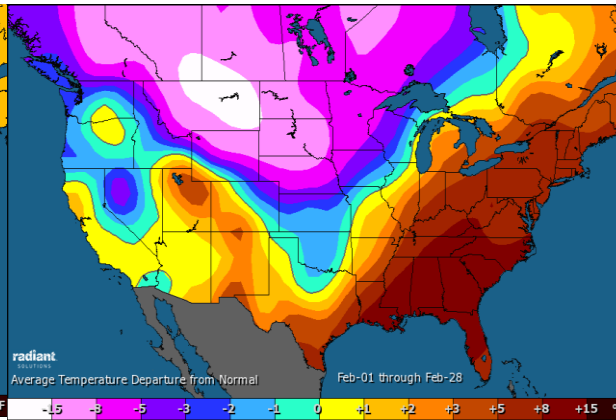


# Weather Review

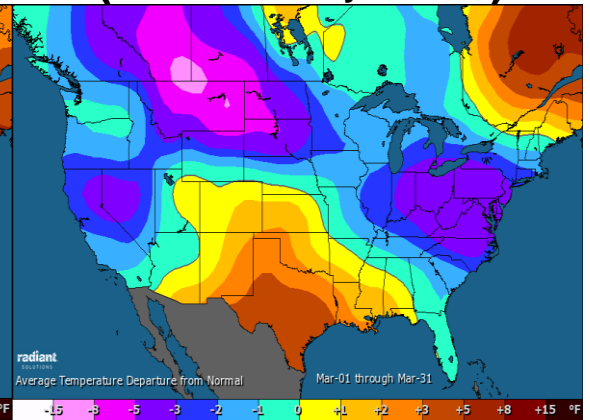
**Jan 2018**  
(Near 30 yr normal)



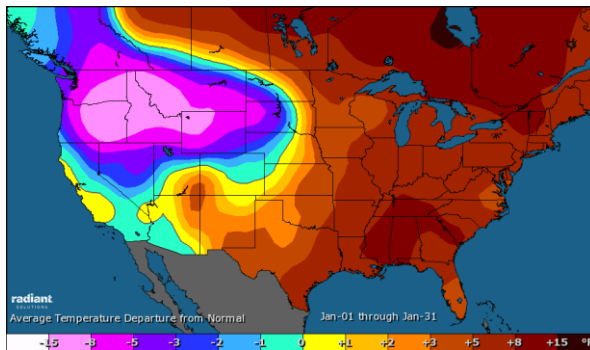
**Feb 2018**  
(12th warmest)



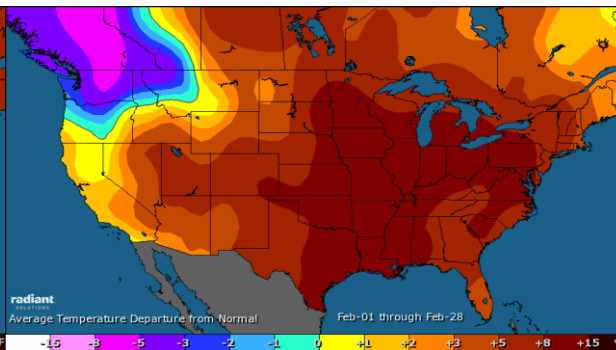
**Mar 2018**  
(Cooler than 30 yr normal)



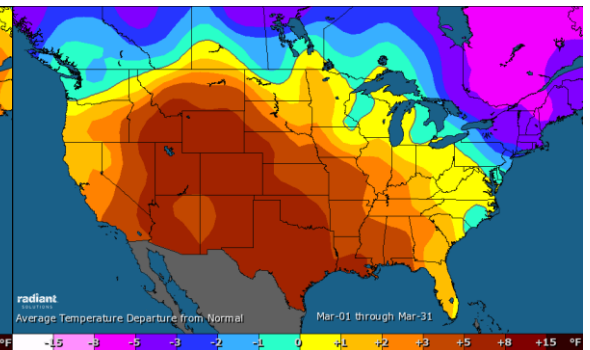
**Jan 2017**  
(5th warmest)



**Feb 2017**  
(warmest)



**Mar 2017**  
(11th warmest)



\*rankings based on PWCCDs or GWHDDs dating back to 1950

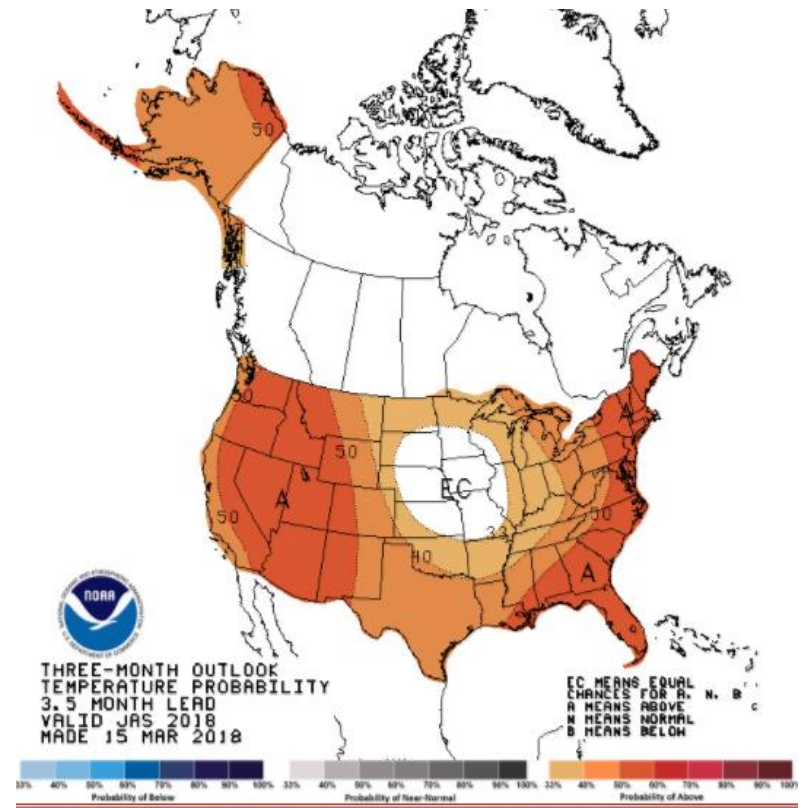
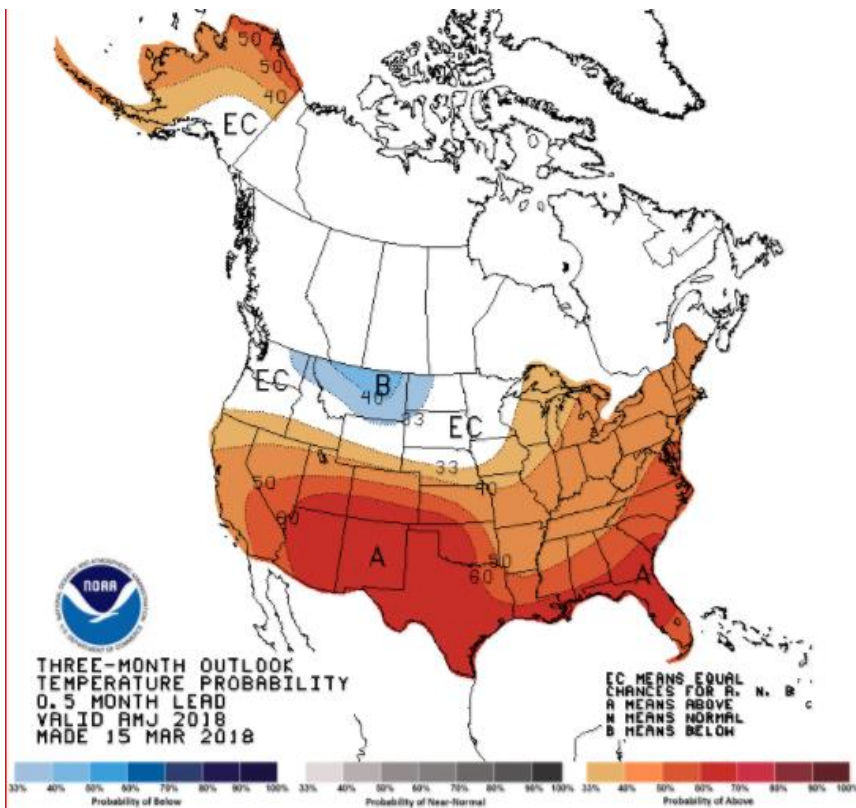
Source: MDA

# Weather Forecasts

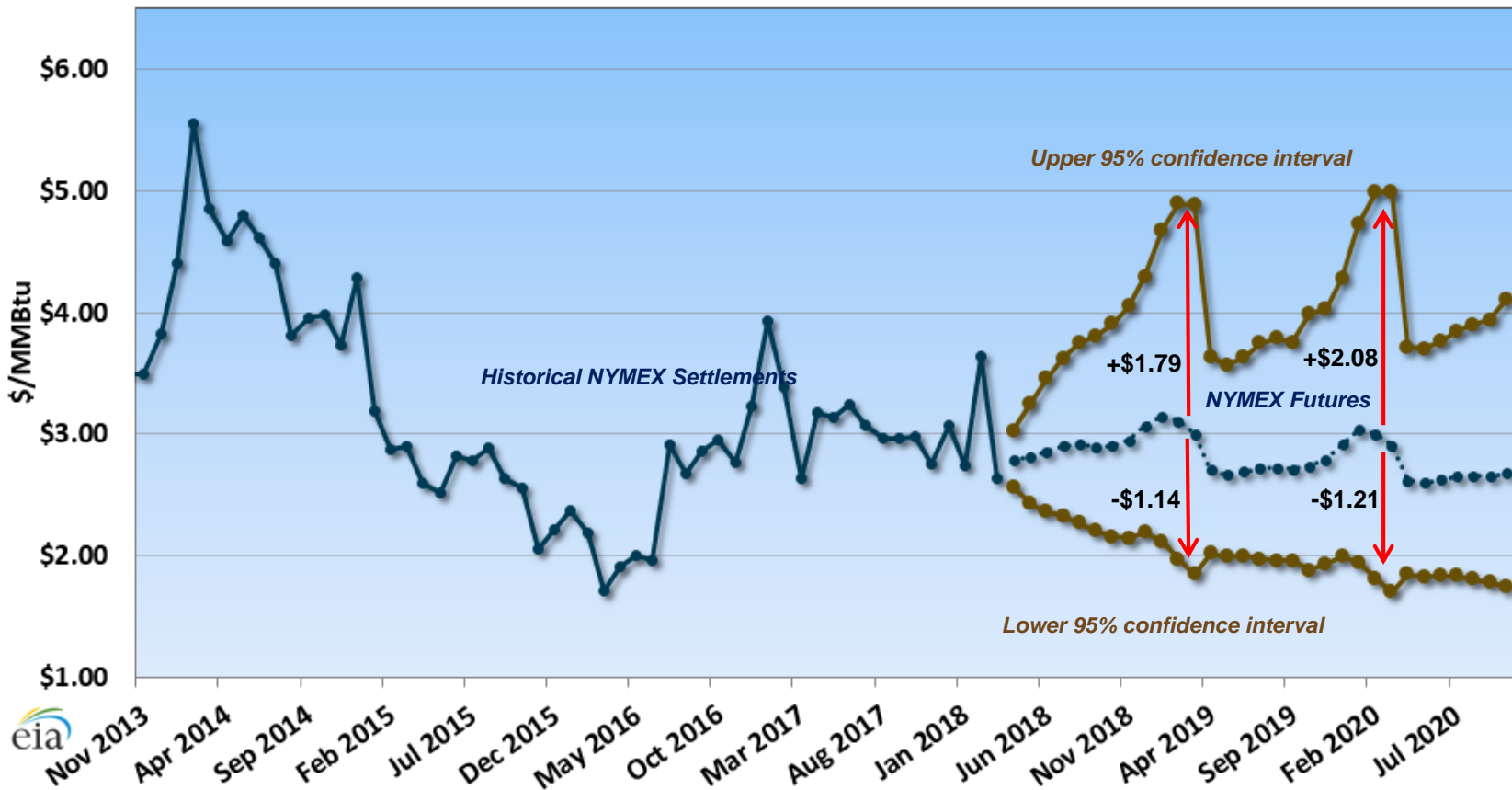
## National Weather Service

Apr'18– Jun'18

Jul'18– Sept'18

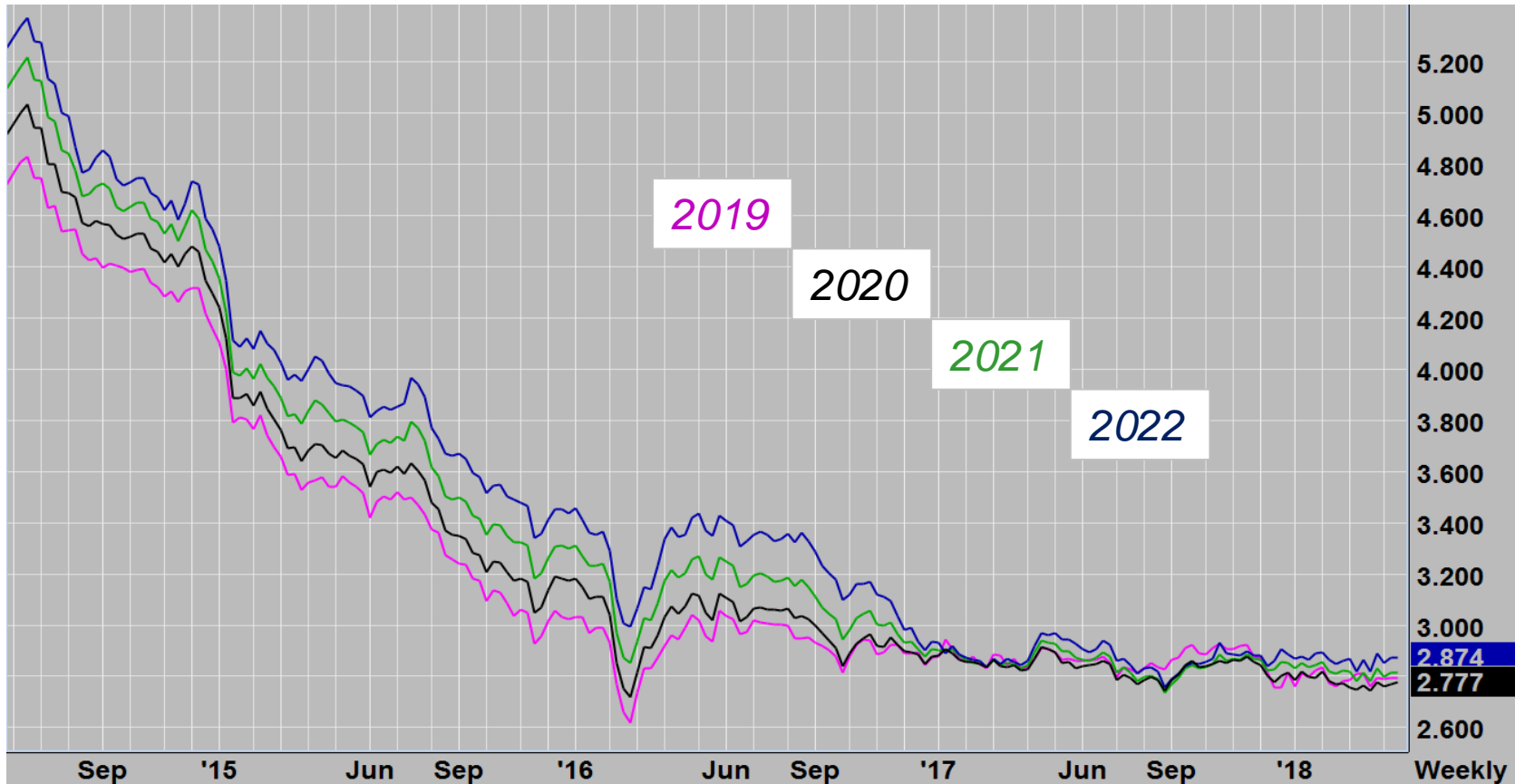


# NYMEX Prices – Confidence Intervals



- Implied volatilities in the NYMEX options futures are skewed to the call side which depicts more upside risk for prices over the next two years than downside potential

# NYMEX Prices – Calendar Year (CY) Strips

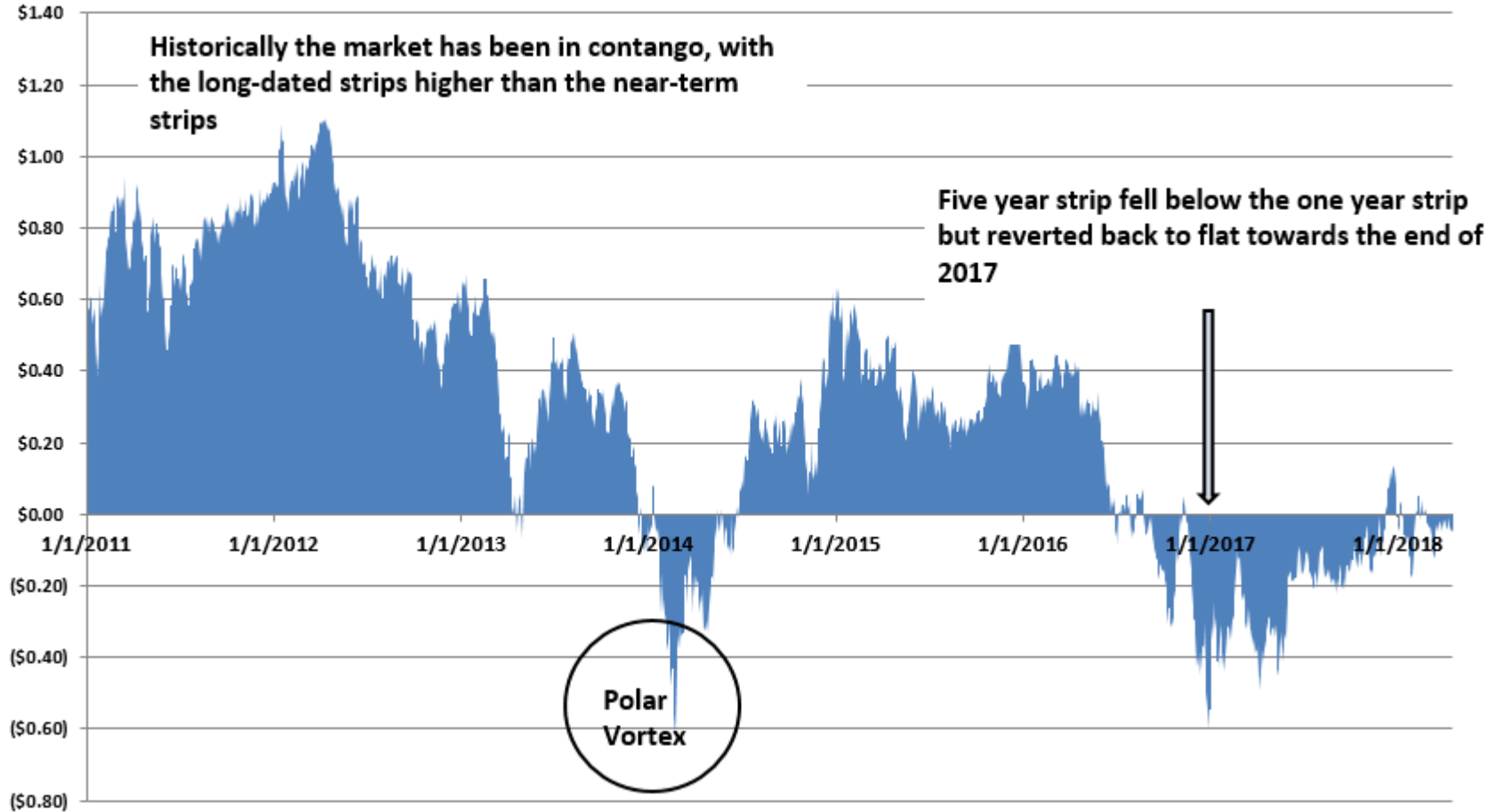


- Calendar 19 reached a low in February 2016 trading; the market has remained supported above this level
- Around a \$.10 range among 2019-2022 NYMEX settlement prices
- Gas consumers are taking advantage of these historically low futures prices and locking portions of their gas needs for two, three, and even four or five years out



# NYMEX Prices – Calendar Year (CY) Strips

Five Year Strip vs. One Year Strip NYMEX



# NYMEX Pricing History





# Bull/Bear Market Summary

- Dry gas production is 7 Bcf/d higher than prior year
- EIA projects production to reach 83 Bcf/d by the end of 2018 as the Marcellus, Utica, Permian, and Haynesville LA production numbers continue to grow
- Total rig count has rebounded to over 1,000 rigs after reaching a low of near 400 in 2016
- Permian is currently 4.9 Bcf/d compared to 3.4 Bcf/d last year.
- Appalachia production is 25.2 Bcf/d compared to 21.1 Bcf/d last year.

## Production



- The EIA futures contracts for end of injection season (end of October) that trade on the Intercontinental Exchange (ICE) have fallen to 3.575 Tcf which would be over 200 Bcf below prior year and the five year average
- Historically when storage levels fall below the five year average it is indicative of tight market conditions and typically translates into higher prices
- The production curve will need to accelerate this summer in order to meet the 3.575 expectation

## Storage



- Exports to Mexico are expect to ramp up to the 4.9 Bcf/d mark in the next few months. Exports sit at 4.4 Bcf/d currently.
- Freeport LNG has announced a 9 month delay of Train once from late 2019. This could cause a 0.9 Bcf/d impact to exports in 2019
- Canadian net imports are currently at 5.66 Bcf/d which is compared to 5.12 Bcf/d for the same period last year.
- Cove point LNG should reach full capacity by June.

## Imports/Exports



- April 2018 is projected to be the 5<sup>th</sup> coldest on record for the last 68 years, which is extending working gas in storage withdrawals through late April
- NOAA is currently forecasting a greater chance for above normal temperatures this summer for a large portion of the CONUS
- Summers have been trending warmer for the last ten years; the ten year normal is 950 population-weighted cooling degree days whereas the thirty year normal is only 881 cooling degree days for the June-August time period

## Weather



- Growth from renewables this year, particularly hydro, wind, and solar have eaten into natural gas' share of the power generation stack
- Industrial demand will continue to grow over the next several years as a number of new fertilizer, methanol, and petrochemical projects come online
- Year over year growth looks promising for summer 2018 due to increases in power demand
- The combination of growth in LNG exports, industrial demand, and exports to Mexico, along with warmer weather this summer could put further pressure on storage balances

## Demand



- The ISM reported the manufacturing sector expanded for the month of March with a PMI that was 1.5% lower than February at 59.3%
- The BLS jobs report indicated total nonfarm payrolls increased by 103,000 in March and the unemployment rate was unchanged at 4.1%
- S&P 500 and Nasdaq are attempting to consolidate after a correction from record highs
- Oil prices are reaching recent highs with WTI trading near \$70 per barrel and Brent trading near \$75 per barrel

## Economy



- Since the start of March the prompt contract has seen a high of 2.786 on 3/13 and a low of \$2.591 on 3/23 with the average for this period being \$2.699. This tight trading range will likely be tested as power demand starts to surface in the June-Aug period. EIA expects gas to gain share of the electric market in 2018 and 2019 up from 32% in 2017 to 34% of the generation mix. NOAA forecasts are calling for an above average start to the summer in terms of temperatures, with the Jun-Aug period particularly warm in the West and Southwest. From a price risk it's likely that we remain range bound until the market determines the effect of bullish storage balances and the increased gas related power demand will have on the refill season. If our bearish production numbers, pushing all-time highs, pull back or aren't able to make up ground on the 5 year average for storage in the next month we will likely test the \$3.00 mark. This push up would encourage fuel switching in the Electricity sector and allow for quicker storage refills.

## Summary





CenterPoint Energy Services, Inc.

# SUPPLEMENTAL INFORMATION

# Why CenterPoint Energy Services?

## Personal account manager

- Regional account managers who understand your area
- Ability to provide analyses and pricing and answer questions specific to your needs

## Expertise, experience and flexibility

- Experienced with pooling supply points and servicing commercial & industrial customers across the US
- Gas delivery, transportation and pipeline services are backed by CenterPoint Energy

## Customized analysis and pricing

- Pricing based on a specified index, customized upon your facility needs
- Marketers are incentivized to find the best price for our customers

## Up-to-date market intelligence

- Access to daily, weekly and monthly natural gas market information
- Sent straight to your inbox

# CES Online

- Receive automatic invoice notifications
- Pay bills with secure automatic bank draft payments
- Get insights into usage and billing details with expandable/collapsible account summary page
- View and print up to 36 months of invoices and account history
- Export reports into MS Excel
- Enroll in paperless billing
- And more!

**CES ACCOUNT ONLINE** [Log Out](#)

To manage a different account, either select the Accounts tab or simply [click here.](#) [Help Center](#) [Print This Page](#)

[Summary](#) [Daily Usage](#) [Monthly Billed Volumes](#) [Invoices & Payments](#) [Storage Info](#)

**Invoice & Payment History**

Bill Group: 1200 N. Lake Shore Drive Condo Assoc.  
Customer ID: 241102  
Billing Address: 1200 N Lake Shore Drive  
Chicago, IL 60610

**Balance Summary**

Current	1 - 30	31 - 60	61 - 90	91+	Total
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**Transaction History**

Date	Due Date	Transaction #	Description	Billed Volume	Amount	Invoice/Details
03/22/10		788072	Payment		(\$9,430.44)	
03/03/10	04/02/10	2929611	Invoice	14,520	\$9,430.44	<a href="#">Invoice</a>
02/16/10		778457	Payment		(\$11,198.32)	
02/03/10	03/05/10	2892481	Invoice	17,190	\$11,178.32	<a href="#">Invoice</a>
01/25/10		771177	Payment		(\$10,133.10)	

[www.CenterPointEnergy.com/CESOnline](http://www.CenterPointEnergy.com/CESOnline)



# Invoice & Payment Options

## PAYMENT OPTIONS

Method	Cost	Instructions
<b>Automatic Bank Draft (ABD)</b>	Free  Maximum amount per transaction is \$9,999,999.99	Funds are automatically withdrawn monthly from your bank account in the amount of your current invoice on your invoice due date. To enroll, please complete the online authorization form or print the authorization form and send it in with a voided check or deposit slip.
<b>Online</b>	Free  Maximum amount per transaction is \$9,999,999.99	Funds are withdrawn from your bank account in the amount that you specify. You will need your bank account number and routing number to process a payment.
• <b>Electronic Funds Transfer (ETF)</b>		
• <b>Credit/Debit Card</b>	\$57.95 per transaction*  Maximum amount per transaction is \$3,000.00	HP Convenience Pay accepts Discover, MasterCard and Visa. Minnesota customers: Please note, in compliance with Minnesota statutes, individual credit/debit card payment amounts for Minnesota facilities must exceed \$1,200.
<b>Phone</b>	Cost varies by payment method	Call HP Convenience Pay at 866-578-7617. You will need your seven-digit CenterPoint Energy Services invoice number.
<b>Mail (Check)</b>	Free	Send the payment stub and signed check to the appropriate mailing address listed at the bottom of your current invoice.
<b>Wire Transfer</b>	Free	Wire transfer instructions are listed at the bottom of your current invoice.

## INVOICE DELIVERY OPTIONS

Method	Description
<b>E-mail</b>	A paperless copy of the invoice will be e-mailed to you each month to the e-mail address provided by you in your CES Online account.
<b>Mail</b>	A paper copy of the invoice will be mailed to you each month.
<b>E-mail &amp; Mail</b>	Both of the above

\* All payments are processed by HP Convenience Pay and CES receives no portion of the HP transaction fees listed above.